

## SENATE FISCAL AGENCY MEMORANDUM

**DATE:** October 15, 2003

**TO:** Members of the Senate

**FROM:** Jay Wortley, Senior Economist

**RE:** Revised Consensus Revenue Estimates for FY 2002-03 and FY 2003-04

The Senate Fiscal Agency, House Fiscal Agency, and Treasury Department held a Consensus Revenue Estimating Conference, October 14, 2003, and unanimously agreed to revised revenue estimates for FY 2002-03 and FY 2003-04. The revised estimates for General Fund/General Purpose (GF/GP) revenue and School Aid Fund (SAF) revenue are summarized below and in Tables 1 and 2.

**Table 1**

Table 1

FY 2002-03 REVISED REVENUE ESTIMATE COMPARISON & CONSENSUS AGREEMENT General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) October 14, 2003, Consensus Revenue Estimating Conference (dollars in millions)								
	FY 2001-02 Final	Previous FY 2002-03 Consensus Estimate May 13, 2003	FY 2002-03 REVISED REVENUE ESTIMATES			FY 2002-03 Revised Consensus Estimate Oct. 14, 2003	\$ Change from May 2003 Consensus	% Change from FY 2001-02
			Treasury Department	House Fiscal Agency	Senate Fiscal Agency			
<b>General Fund/General Purpose:</b>								
Baseline	\$8,280.2	\$8,313.8	\$8,071.7	\$8,095.1	\$8,114.6	<b>\$8,065.4</b>	(\$248.4)	-2.6%
Tax Adjustments	146.8	(229.9)	(222.2)	(222.4)	(227.9)	<b>(180.2)</b>	49.7	—
Net GF/GP Revenue	\$8,427.0	\$8,083.8	\$7,849.5	\$7,872.7	\$7,886.7	<b>\$7,885.1</b>	(\$198.7)	-6.4%
<b>School Aid Fund:</b>								
Baseline	\$10,105.3	\$10,209.0	\$10,100.0	\$10,075.2	\$10,123.6	<b>\$10,099.3</b>	(\$109.7)	-0.1%
Tax Adjustments	28.6	556.7	568.2	568.3	550.7	<b>562.3</b>	5.6	—
Net SAF Revenue	\$10,133.9	\$10,765.7	\$10,668.2	\$10,643.5	\$10,674.3	<b>\$10,661.6</b>	(\$104.1)	5.2%
<b>TOTAL GF/GP &amp; SAF:</b>								
Baseline	\$18,385.5	\$18,522.8	\$18,171.7	\$18,170.3	\$18,238.2	<b>\$18,164.7</b>	(\$358.1)	-1.2%
Tax Adjustments	175.4	326.8	346.0	345.9	322.8	<b>382.1</b>	55.3	—
Net GF/GP & SAF Revenue	\$18,560.9	\$18,849.6	\$18,517.7	\$18,516.2	\$18,561.0	<b>\$18,546.8</b>	(\$302.8)	-0.1%

### General Fund/General Purpose

The consensus estimate for FY 2002-03 GF/GP revenue is \$7,885 million, which is down \$199 from the May consensus estimate. Compared with the FY 2001-02 GF/GP revenue level, this revised estimate for FY 2002-03 represents a decline of \$542 million or 6.4%.

For FY 2003-04, the GF/GP revenue estimate has been revised down \$373 million to \$7,786 million. Compared with the revised estimate for FY 2002-03, this revised estimate for FY 2003-04 is down 1.3% or \$100 million.

### School Aid Fund

School Aid Fund (SAF) earmarked tax and lottery revenue is expected to increase 5.2% to \$10,662 million in FY 2002-03, compared with the final level for FY 2001-02. This represents an increase of \$528 million. This very strong increase is due in large part to the acceleration in the collection of the State education property tax, which

will generate an estimated \$449 million in one-time revenue in FY 2002-03, and the tobacco tax increase, which will contribute another \$101 million to the SAF in FY 2002-03. This revised estimate is down \$104 million from the May 2003 consensus estimate.

In FY 2003-04, SAF earmarked revenue will total an estimated \$10,527 million, which is down 1.3% from the revised estimate for FY 2002-03. This reduction in School Aid Fund revenues will be due to the fact that revenue growth from on-going revenue sources will not be strong enough to offset the one-time boost in State education property tax revenue in FY 2002-03. Compared with the May consensus estimate, this revised estimate for SAF revenue is down \$222 million.

Table 2

FY 2003-04 REVISED REVENUE ESTIMATE COMPARISON & CONSENSUS ESTIMATE General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) October 14, 2003, Consensus Revenue Estimating Conference (dollars in millions)								
			FY 2003-04 REVISED REVENUE ESTIMATES			FY 2003-04 Revised Consensus Estimate Oct. 14, 2003	\$ Change from May 2003 Consensus	% Change from FY 2002-03 Consensus 10/14/03
FY 2002-03 Revised Consensus Estimate Oct. 14, 2003	Previous FY 2003-04 Consensus Estimate May 13, 2003	Treasury Department	House Fiscal Agency	Senate Fiscal Agency				
General Fund/General Purpose:								
Baseline	\$8,065.4	\$8,670.5	\$8,234.3	\$8,343.4	\$8,270.9	\$8,243.6	(\$426.9)	2.2%
Tax Adjustments	(180.2)	(511.8)	(476.3)	(504.6)	(493.4)	(458.1)	53.7	—
Net GF/GP Revenue	\$7,885.2	\$8,158.7	\$7,758.0	\$7,838.8	\$7,777.5	\$7,785.5	(\$373.2)	-1.3%
School Aid Fund:								
Baseline	\$10,099.3	\$10,629.7	\$10,389.5	\$10,411.0	\$10,419.1	\$10,390.7	(\$239.0)	2.9%
Tax Adjustments	562.3	119.3	136.7	130.7	119.0	136.6	17.3	—
Net SAF Revenue	\$10,661.6	\$10,749.0	\$10,526.2	\$10,541.7	\$10,538.1	\$10,527.3	(\$221.7)	-1.3%
TOTAL GF/GP & SAF:								
Baseline	\$18,164.7	\$19,300.2	\$18,623.8	\$18,754.4	\$18,690.0	\$18,634.3	(\$665.9)	2.6%
Tax Adjustments	382.1	(392.5)	(339.6)	(373.9)	(374.4)	(321.5)	71.0	—
Net GF/GP & SAF Revenue	\$18,546.8	\$18,907.7	\$18,284.2	\$18,380.5	\$18,315.6	\$18,312.8	(\$594.9)	-1.3%

### Revenue Limit

In FY 2001-02, revenues subject to the revenue limit fell below the constitutional revenue limit by \$3.9 billion, or 14.3%. Based on the newly adopted consensus economic and revenue estimates, it is estimated the gap between revenues subject to the limit and the limit will continue to grow in FY 2002-03 and FY 2003-04. Revenues subject to the revenue limit will fall below the limit by an estimated \$4.6 billion, or 16.4%, in FY 2002-03, and by \$5.3 billion, or 18.5%, in FY 2003-04.

### Budget Stabilization Fund

Based on the consensus economic forecast, the statutory budget stabilization formula (based on the change in real Michigan personal income less transfer payments) will not trigger any payments into the Budget Stabilization Fund in FY 2003-04.

I hope you find this information useful. If you have any questions or need any additional information, please call me at 373-2768.

/kjh

c: Gary Olson, Director,  
Ellen Jeffries, Deputy Director